



# California Water Service Company

(U-60-W)

## 2012 ANNUAL REPORT (REVISED)

*Women, Minority &  
Disabled Veteran  
Business Enterprise  
Procurement Pursuant  
to CPUC General Order 156*



## TABLE OF CONTENTS

---

Message from Cal Water's Chairman and Chief Executive Officer	2
Summary of 2012 WMDVBE Program	3
9.1.1 Internal & External WMDVBE Program Activities	4
9.1.2 Summary of Purchases	8
9.1.3 Program Expenses	9
9.1.4 Progress in Meeting or Exceeding Goals	10
9.1.5 Summary of WMDVBE Subcontractors	11
9.1.6 Complaints	11
9.1.7 Excluded Categories	12
9.1.8 Supplier Recruitment in Under Utilized Areas	13
9.1.9 Justification of Excluded Areas	15
Qualitative Reporting Scorecard	15
2013 Annual Plan	15
10.1.1 WMDVBE Annual Goals for 2013	16
10.1.2 Program Activities Planned for 2013	16
10.1.3 Supplier Recruitment in Under Utilized Areas	17
10.1.4 Recruiting WMDVBE's in Excluded Categories	17
10.1.5 Plans for Subcontracting	17
10.1.5 Complying with WMDVBE Program Guidelines	18

## MESSAGE FROM CALIFORNIA WATER SERVICE COMPANY'S CHAIRMAN AND CHIEF EXECUTIVE OFFICER

At California Water Service Company (Cal Water), we continue to develop and enhance our Strategic Supplier Outreach in order to broaden and strengthen our pool of qualified bidders. We believe that doing so helps us to provide the best, lowest cost services to our customers and enables us to work with more vendors who live in and reflect the communities we serve.

In 2012, we increased our number of certified Women-, Minority-, and Disabled Veteran Business Enterprises (WMDVBEs) by 76%, procured goods from 69 certified WMDVBE vendors, increased WMVBE spending from \$10.9 million to \$11.2 million, and increased Tier II subcontractor spending by \$136,000. We also named Vicky Mount as our Manager of Strategic Supplier Outreach. She has become an active participant of the California Water Association USDP team, Joint Utilities team, and the California Utilities Diversity Council to enhance the industry's supplier diversity programs.



To further increase our spending with WMDVBEs in 2013, we will continue to communicate internally about the importance of the effort, increase our number of qualified vendors by participating in supplier outreach initiatives, partner with CWA on capacity-building and technical assistance programs, and enlist the support of primary contractors in sub-contracting to WMDVBEs.

Although we have made progress since becoming subject to the requirements of General Order 156 in 2009, we are committed to continued improvement in this area. Throughout the company we are enhancing our Strategic Supplier Outreach program by cultivating a larger pool of diverse vendors in order to secure the best services at the best prices for the benefit of our customers and communities. The bottom line: Our objective is to develop long-term relationships that will effect permanent change for the better.

A handwritten signature in dark ink that reads "Peter C. Nelson". The script is cursive and fluid.

Peter C. Nelson

## SUMMARY OF 2012 WMDVBE PROGRAM

This is California Water Service Company's (Cal Water's) annual report to the California Public Utilities Commission (CPUC) on its progress in procuring goods and services from women-, minority-, and service-disabled veteran business enterprises (WMDVBEs) in 2012.

In 2012, Cal Water's discretionary spending totaled \$119.9 million, of which the company spent over \$11.2M, or 9.41%, with WMDVBEs.

Cal Water firmly believes that our suppliers are critical to the success of our business and the customers we serve. Cal Water awards business to suppliers based on a competitive procurement process. In 2012, we focused on evolving our strategic supplier outreach to enhance our pool of qualified suppliers that is inclusive of women-, minority-, and disabled veteran businesses in a way that reflects the marketplace and the communities we serve.

As Cal Water continues to develop its strategy for incorporating supplier diversity into its procurement process, we remain committed to finding qualified diverse suppliers, encouraging and assisting non-certified minority businesses with the certification process, helping minority suppliers with expired certifications to recertify, and partnering with our contractors to increase the utilization of women-, minority-, and service-disabled veteran owned business enterprises in the supply chain through subcontracting.

In 2011, Cal Water implemented a new procurement process called Procure to Pay (P2P). The project changed the way Cal Water procures and pays for goods and services, realigned responsibilities, revised the limits of authority, and increased the use of purchasing cards for purchases. In 2012, using the 1057-SocioEconomic reporting tools provided by our credit card companies, Cal Water employees completed almost 2,000 purchase transactions with approximately 370 WMDVBEs in the communities we serve. Although the purchasing card spending with non-certified WMDVBEs is omitted from our GO 156 report, the P2P project helped in our efforts to "buy local and buy small" with WMDVBEs in the communities we serve.

In 2012, Cal Water remained diligent in our strategic supplier outreach to achieve the following:

- New position filled on July 31<sup>st</sup>: Manager, Strategic Supplier Outreach
- New revisions and enhancements to our supplier web site
- Revised our supplier outreach brochure
- Increased the number of certified WMDVBEs in our supplier database to 171, up 76%
- Increased WMVBE spending from \$10.9M in 2011 to \$11.2M in 2012
- Procured goods and services from 69 certified WMDVBE suppliers
- Procured over \$3.4M, or 2.9%, in goods and services with 52 non-certified WMDVBE suppliers (also not included in this report)



- Increased Tier II subcontractor spending by \$136K

Cal Water continues to partner with the California Water Association's (CWA) Utilities' Supplier Diversity Program (USDP), CPUC CUDC, and Joint Utilities representatives to develop opportunities for WMDVBEs. In 2012, CWA and Cal Water held specific supplier training in northern and southern California to help minority suppliers learn how to do business with water utilities.

### 9.1.1 Internal & External WMDVBE Program Activities

Listed below are all activities California Water Service Company (Cal Water) participated in jointly with the CWA USDP team.

#### January 2012

- USDP Monthly Meeting @ Anaheim
- CWA Director's Meeting @ San Jose
- CUDC Monthly Meeting @ Livermore
- SAPCOC Awards Dinner @ Sacramento
- CPUC/State Legislators @ Los Angeles
- LBA Luncheon Awards @ Los Angeles

#### February 2012

- USDP Capacity Building and Tech Support @ Anaheim
- LA Chp Elite SDVOB Vet Small Business Expo @ Long Beach
- CWA Director's Meeting @ San Francisco
- CUDC Monthly Meeting @ WebEx
- USDP Monthly Meeting @ San Jose
- SCMSDC Minority Business Opportunity Day @ City of Industry
- Business Matchmaking Opportunity @ San Jose
- MWD Connect 3 MET @ Monrovia

#### March 2012

- American Indian 26<sup>th</sup> Annual Res. @ Las Vegas
- CPUC/Joint Utilities/PG&E Diverse & Small Business Contracting @ Sacramento
- CUDC Monthly Meeting @ Irwindale
- CWA Director's Meeting @ Manhattan Beach

- CPUC Capacity Building & Tech Support @ San Francisco
- USDP Monthly Meeting @ West Covina
- CALBCC African American Leadership @ Sacramento

#### April 2012

- NCMSDC Annual Gala @ San Francisco
- USDP – Capacity Building & Tech. Support @ Anaheim
- CWA Director’s Meeting @ Ontario
- CPUC/AT&T Small Business Expo @ Irvine
- CUDC Monthly Meeting @ WebEx
- Joint Utilities Quarterly Meeting @ San Francisco
- AABE 35<sup>th</sup> Annual Conference @ Long Beach
- USDP Monthly Meeting @ San Francisco
- CPUC Procurement Expo @ Inland Empire
- Greenlining Economic Summit @ Los Angeles
- SDBMDC Supplier Diversity Week @ San Diego

#### May 2012

- ABA Small Business Exchange @ City of Industry
- CUDC Monthly Meeting @ San Francisco
- CAHCC Annual Legislative Summit @ Sacramento
- KTP DVBE Business Alliance @ Los Angeles
- CWA Director’s Meeting @ Valencia
- USDP Monthly Meeting @ Downey
- EEI Annual Diversity Conference @ Palm Springs
- CWA Water Awareness Day @ San Francisco

#### June 2012

- Black Business Council Annual Economic Conference @ Oakland
- CWA Spring Conference @ Sacramento
- CUCD Monthly Meeting @ WebEx
- California Small Business Day/California Legislature @ Sacramento
- AICOC Autry Museum Luncheon @ Los Angeles
- WBENC 2012 National Conference @ Orlando, FL
- CUDC Advertising & Media Forum @ Los Angeles
- USDP Monthly Meeting @ San Jose

- USDP Annual Contractors Meeting @ San Ramon

#### July 2012

- CWA Budget Planning @ Yosemite
- CUDC Monthly Meeting @ San Francisco
- Joint Utilities Meeting @ Coronado
- SDVOB National Convention @ Las Vegas
- AICOC Annual Business Expo @ Rancho Mirage
- USDP Monthly Meeting @ Coronado

#### August 2012

- CWA Director's Meeting @ Coronado
- NCMSDC Opportunity Expo @ Santa Clara
- CALBCC Ron Brown Annual Conference @ San Diego
- CUDC Monthly Meeting @ WebEx
- CAHCC Annual Convention @ San Diego
- LBA Conference and Award Gala @ Burbank
- USDP Monthly Meeting @ San Francisco
- New Conn Symposium Diverse Financial Services @ Pasadena
- Elite SDVOB/SL Hare Honoring Gwen Moore @ Pasadena

#### September 2012

- WBEC West Annual Conference @ San Diego
- CWA Director's Meeting @ Sacramento
- CWS Presentation/Update to officer DMC @ San Jose
- USDP Monthly Meeting @ Fontana
- USDP Annual Contractor Meeting @ Rancho Cucamonga
- US Hispanic Chambers National Conference @ Los Angeles
- CUDC Monthly Meeting @ Los Angeles
- Congressional Black Caucus Annual Conference @ Washington, DC

#### October 2012

- CAPCC & ABA Statewide Conference, @ Los Angeles
- Diversity Reception – Law Firms @ Los Angeles
- CWA Director's Meeting @ Fontana
- CPUC En Banc @ Los Angeles

- Joint Utilities Meeting @ San Ramon
- BBA Procurement Exchange Summit @ Los Angeles
- Black Economic Council Bridge Builder Luncheon @ Oakland
- USDP Monthly Meeting @ San Jose
- CPUC/CWA Small Business Expo @ Mountain View
- CWS Presentation/Training to IT Managers @ San Jose
- SDVOB SD Annual Network & Fundraiser @ San Diego
- NMSDC Annual Conference @ Denver, CO
- CWS Presentation/Update to officer DMC @ San Jose
- CWA Annual Conference @ Monterey

#### November 2012

- CWA Director's Meeting @ Monterey
- CWS Presentation/Training to Managers @ San Jose
- CUDC Monthly Meeting @ Ontario
- USDP Monthly Meeting @ Ontario
- Regional Hispanic Institute, Mujeres del 2012 Awards Gala @ Long Beach
- NARUC Annual Conference @ Baltimore, MD
- AICOC Heritage Month Luncheon @ Anaheim
- LA Elite SDVOB @ Downey

#### December 2012

- Region Event Business Matchmaking @ Pasadena
- CUDC Monthly Meeting @ WebEx
- USDP Monthly Meeting @ San Dimas



## 9.1.2 Summary of Purchases

### Supplier Diversity Annual Results by Ethnicity

Line No.			2012			
			Direct \$	Sub \$	Total \$	%
1	Minority Men	Asian-Pacific	599,949.92	72,621.93	672,571.85	0.56%
2		Black	33,489.43	1,564.43	35,053.86	0.03%
3		Hispanic	6,068,846.45	31,542.49	6,100,388.94	5.09%
4		Native-American	159,308.47	10,624.50	169,932.97	0.14%
5		Total Minority Men	\$6,861,594.27	\$116,353.35	\$6,977,947.62	5.82%
6	Minority Women	Asian-Pacific	683,161.16		683,161.16	0.57%
7		Black	94,644.70	3,947.01	98,591.71	0.08%
8		Hispanic	931,956.10	244,907.87	1,176,863.97	0.98%
9		Native-American	375.50		375.50	0.00%
10		Total Minority Women	\$1,710,137.46	\$248,854.88	\$1,958,992.34	1.63%
11	Total Minority Business Enterprise (MBE)		\$8,571,731.73	\$365,208.23	\$8,936,939.96	7.45%
12	Women Business Enterprise (WBE)		\$1,801,870.16	\$469,597.10	\$2,271,467.26	1.89%
13	Subtotal Women, Minority Business Enterprise (WMBE)		\$10,373,601.89	\$834,805.33	\$11,208,407.22	9.35%
14	Disabled Veteran Business Enterprise (DVBE)		\$73,230.38		\$73,230.38	0.06%
15	Total WMDVBE		\$10,446,832.27	\$834,805.33	\$11,281,637.60	9.41%
16	Gross Procurement				\$299,312,619.20	
17	Exclusions				\$179,375,901.49	
18	Net Procurement				\$119,936,717.71	

Totals may not add due to rounding

### 9.1.3 Program Expenses

Line No.	Expense Category	2012 Actuals
1	Wages	79,491.30
2	Other Employee Expenses	5,292.46
3	Program Expenses	6,062.37
4	Reporting Expenses	
5	Training	2,498.40
6	Consultants	26,615.84
7	Other	37,442.89
8	TOTAL	\$157,403.26

- Wages: Salary and payroll-related costs of employees working on WMDVBE matters
- Other Employee Expenses: Office space, travel, and non-wage costs
- Program Expenses: Printing, postage, supplies, outreach, and other costs directly related to programs
- Reporting Expenses: Computer, accounting, and other expenses in preparing reports to the CPUC
- Training: Costs related to training employees (internal) and suppliers (external)
- Other: Cal Water's portion of expenses captured and disbursed by CWA for Class A companies' USDP

## 9.1.4 Progress in Meeting or Exceeding Goals

Line No.	Category	Current Year Results	Current Year Goals
1	Minority Men	5.82%	12%
2	Minority Women	1.63%	3%
3	Minority Business Enterprise (MBE)	7.45%	15%
4	Women Business Enterprise (WBE)	1.89%	5%
5	Subtotal Women, Minority Business Enterprise (WMBE)	9.35%	20%
6	Disabled Veteran Business Enterprise (DVBE)	0.06%	1.5%
7	Total WMDVBE	9.41%	21.5%

Totals may not add due to rounding

California Water Service Company spent 9.41% with WMDVBEs in 2012. This represents \$11.2M spending with WMDVBEs, \$354,864 more than the amount spent with WMDVBEs in 2011.

### 9.1.5 Summary of WMDVBE Subcontractors

Line No.		Minority Male	Minority Women	Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Women Minority Business Enterprise (WMBE)	Disabled Veteran Business Enterprise (DVBE)	Total WMDVBE
1	Direct \$	6,861,594.27	1,710,137.46	8,571,731.73	1,801,870.16	10,373,601.89	73,230.38	\$10,446,832.27
2	Subcontracting \$	116,353.35	248,854.88	365,208.23	469,597.10	834,805.33		\$834,805.33
3	Total \$	\$6,977,947.62	\$1,958,992.34	\$8,936,939.96	\$2,271,467.26	\$11,208,407.22	\$73,230.38	\$11,281,637.60
4	Direct %	5.72%	1.43%	7.15%	1.50%	8.65%	0.06%	8.71%
5	Subcontracting %	0.10%	0.21%	0.30%	0.39%	0.70%	0.00%	0.70%
6	Total %	5.82%	1.63%	7.45%	1.89%	9.35%	0.06%	9.41%
7	Net Procurement							\$119,936,717.71

California Water Service Company increased WMDVBE subcontractor spending by \$136,637. We continue to focus on working with our prime suppliers to improve supplier diversity subcontracting results. In 2012, we began communicating to our prime suppliers our diversity expectations, the importance of certification, and ongoing reporting requirements. Cal Water is committed to assisting prime suppliers develop their programs, and identify un-certified minority subcontractors so the benefits of CPUC Clearinghouse certification can be communicated.

### 9.1.6 Complaints

No complaints received in 2012.

## 9.1.7 Excluded Categories

Line  
No.

1	Total Payments	\$299,312,619.20
	<b>Description of Exclusion</b>	
2	Purchased Power and Water	\$170,061,106.50
3	Pump Taxes	\$9,314,794.99
4	Total Exclusions	\$179,375,901.49
5	Total Supplier Payments	\$119,936,717.71

### 9.1.8 Supplier Recruitment in Under-Utilized Areas

The following table illustrates the extent to which non-WMDVBE law firms, retained by Cal Water's legal department, have assigned WMDVBE attorneys and paralegals to work on Cal Water engagements.

ATTORNEY TIME BILLED IN 2012			
LINE #			TOTAL \$
1	ALL MEN		
2	MINORITY MEN	ASIAN-PACIFIC MEN	23,577.00
3		BLACK-AMERICAN MEN	
4		HISPANIC MEN	39,600.00
5		NATIVE-AMERICAN MEN	
6		MULTI-ETHNIC MEN	9,126.00
7		TOTAL MINORITY MEN	\$72,303.00
8	ALL WOMEN		
9	MINORITY WOMEN	ASIAN-PACIFIC WOMEN	61,498.00
10		BLACK-AMERICAN WOMEN	7,467.00
11		HISPANIC WOMEN	
12		NATIVE-AMER WOMEN	
13		MULTI-ETHNIC WOMEN	
14		TOTAL MINORITY WOMEN	\$68,965.00
15	TOTAL MINORITY (LINES 7 & 14)		\$141,268.00
16	NON-MINORITY WOMEN		\$533,564.00
17	SERVICE-DISABLED VETERANS		
18	TOTAL MINORITY, NON-MINORITY WOMEN & SERVICE-DISABLED VETERANS (LINES 15, 16 & 17)		\$674,832.00



PARALEGAL TIME BILLED IN 2012			
LINE #			TOTAL \$
1	ALL MEN		
2	MINORITY MEN	ASIAN-PACIFIC MEN	
3		BLACK-AMERICAN MEN	3,122.00
4		HISPANIC MEN	270.00
5		NATIVE-AMERICAN MEN	
6		MULTI-ETHNIC MEN	
7		TOTAL MINORITY MEN	\$3,392.00
8	ALL WOMEN		
9	MINORITY WOMEN	ASIAN-PACIFIC WOMEN	1,717.00
10		BLACK-AMERICAN WOMEN	365.00
11		HISPANIC WOMEN	1,634.00
12		NATIVE-AMER WOMEN	
13		MULTI-ETHNIC WOMEN	
14		TOTAL MINORITY WOMEN	\$3,716.00
15	TOTAL MINORITY (LINES 7 & 14)		\$7,108.00
16	NON-MINORITY WOMEN		\$23,693.00
17	SERVICE-DISABLED VETERANS		
18	TOTAL MINORITY, NON-MINORITY WOMEN & SERVICE-DISABLED VETERANS (LINES 15, 16 & 17)		\$30,801.00

### 9.1.9 Justification of Excluded Areas

The amount shown on Table 9.1.7, Line No. 5, "Total Exclusions \$179,375,901.49", is the total of payments made in the categories of Purchased Water, Purchased Power, and Replenishment Fees (pump taxes). Other categories subject to Section 8.9, Other Utilities, Taxes, Franchise Fees, and Postage have not been included in the gross procurement. The reporting of these categories as "Exclusions" on Table 9.1.7 by water companies is intended to provide information to staff regarding these categories and to be consistent with the procurement reporting of the energy companies. This procurement reporting specification for water companies was a result of workshops convened by the Commission's Utility Supplier Diversity Program staff, pursuant to Ordering Paragraph No. 4 of D11-050-019 (in R.09-07-027), and subsequent additional discussions, in order for the staff and utilities to reach a common understanding of what is to be reported as a result of the amendments to General Order 156 and to address and resolve any confusion regarding adaptation of the water companies' procurement reporting to General Order 156 requirements.

### Qualitative Reporting Scorecard

California Water Service Company submits the following table at the request of the Commission's Supplier Diversity staff members in 2012. The purpose of the 'Scorecard' table is to demonstrate the company's compliance with GO 156 requirements.

GO 156 OIR SCORECARD FOR CALIFORNIA WATER SERVICE COMPANY										
Year	Capacity Building & Technical Assistance	Mentor Program	Employee Education on Supplier Diversity	Outreach & Comm. On Supplier Diversity	Mandatory Requirement of Sub-Contractors	Number of New Vendors (Given Year)	Total Value of Contracts Awarded Under \$1M	Number of Contracts to Vendors that are Under \$1M	Number of Contracts to Vendors that are \$1 - \$5 M	Number of Contracts to Vendors that are Over \$5 M
2011	No	No	Yes	Yes	No	44	N/A	N/A	N/A	N/A
2012	Yes	No	Yes	Yes	No	74	\$5,466,567	68	0	1

## 2013 Annual Plan

### Section 10.1.1 WMDVBE Annual Goals for 2013

Every effort is made to continue to grow our procurement spending with WMDVBEs. Cal Water does not set goals by specific product and service categories; however, we have identified the following areas and will track and report product and service WMDVBE procurement beginning in 2013.

- Construction & Engineering
- Manufacturing (furniture, paper, chemicals, metal, instruments, etc.)
- Transportation & Communications
- Wholesale Trade (durable and non-durable goods)
- Retail Trade (food, merchandise, automotive, etc)
- Investment Banking, Finance, Insurance, Accounting & Real Estate
- Services (hotel, auto repair, etc.)
- Non-classified

Cal Water's long-term goal for the product and service categories referenced above is 21.5%.

### Section 10.1.2 Program Activities Planned for 2013

In 2013, Cal Water plans to enhance its communication efforts in order to build alignment and collaboration across all 21 districts and the various supporting departments at Cal Water. Cal Water's focus will be on communication tools that will inform employees of our WMDVBE program and the benefits of a supply chain that is fair and inclusive of WMDVBEs - for the company and the communities we serve.

Cal Water will make every effort to increase the number of WMDVBE suppliers in our supplier database through outreach events that support the company's supplier outreach objectives. In 2013, we will place additional emphasis on regional outreach opportunities that support the communities we serve and that have been under-represented in the past 2 to 3 years.

Cal Water will work together with CWA and the member utilities in the area of capacity-building and technical assistance programs, so that WMDVBEs are better prepared to do business with the member water utilities.

In 2013, we will enhance our existing program by incorporating a proactive approach for managing our supplier database and enhancements to our reporting tools. Measures will be taken to update supplier

profiles and promote ongoing measures to monitor the status of new certifications and expired certifications for renewal, and drive efforts to certify non-certified minority suppliers.

Cal Water will continue to look for opportunities for WMDVBE participation through the competitive bid process. To that end, Cal Water will work with prime contractors to enlist their support and development of a robust WMDVBE Tier II sub-contractor program that meets Cal Water's WMDVBE objectives. Cal Water will assist prime contractors with WMDVBE sourcing efforts, helping to identify certified WMDVBE's for sub-contractor opportunities.

### Section 10.1.3 Supplier Recruitment in Under-Utilized Areas

Cal Water's 2013 program activities include outreach, communication, and partnerships with WMDVBE suppliers in the under-utilized areas. Cal Water will continue to work with CPUC, Community Based Organizations (CBOs), CUDC, Joint Utilities, and USDP to increase procurement opportunities of WMDVBEs in the following areas:

- Service-Disabled Veterans Business Enterprises
- African American Business Enterprises
- Native American Business Enterprises
- WMDVBE Investment Banking
- WMDVBE Finance & Accounting
- WMDVBE Insurance and Real Estate
- WMDVBE Legal Firms
- WMDVBE Advertising & Water Conservation Agencies

### 10.1.4 Recruiting WMDVBEs in Excluded Categories

Not applicable

### Section 10.1.5 Plans for Subcontracting

Cal Water will continue to encourage prime suppliers to engage WMDVBEs in subcontracting opportunities whenever possible.

Cal Water will continue to work with our prime suppliers to identify and extend subcontracting opportunities to WMDVBEs with a goal to achieve a long term goal of 21.5% spending with WMDVBE

subcontractors. In addition, all contracts extended to prime suppliers will include language that supports WMDVBE subcontracting goals.

### Section 10.1.6 Complying with WMDVBE Program Guidelines

Cal Water intends to comply with the WMDVBE program guidelines established by the Commission as required by Public Utilities Section 8283(c). The CPUC Executive Director's Office will be responsible for developing, periodically refining, and recommending such guidelines for the Commission's adoption in an appropriate procedural forum.

Cal Water will continue to comply with General Order 156 program guideline. In 2013, Cal Water will participate in the CPUC's Supplier Diversity Forums as requested, and work in partnership with the California Water Association and Joint Utilities to address the challenges faced by WMDVBEs in the procurement process.

#### Revision Prepared by:

Vicky L. Mount

Manager, Strategic Supplier Outreach

April 5, 2013